

TAYLOR PATTERSON GROUP LIMITED

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OVER 50? - THEN RISING INTERESTS RATES COULD BE GOOD FOR YOU

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The rise in interest rates over the last twelve months or so has meant that the maximum pension that can be taken from most private pension plans has increased by nearly 12%.

For self-invested personal pensions (SIPP), small self-administered schemes (SSAS) and some insured arrangements run on a money purchase basis, the maximum pension that can be drawn is based on rates set by the Government Actuary. These rates are known as the GAD Rates and the rate relevant to you will depend on your gender and age. They are calculated by reference to factors similar to those used by insurance companies to calculate annuities, i.e. age, gender, life expectancy etc and are based on the yield from 15 year Government Stocks, the "gilt yield". As movements in the "gilt yield" are closely linked to interest rates, the increases imposed by the Bank of England over the recent past in an attempt to dampen inflation and rising housing costs have brought about an increase in the gilt yield and therefore the GAD Rates.

The maximum pension that you can take from pension plans that offer a drawdown facility, and not all do by a long chalk, is 120% of your GAD Rate if you are under 75. Thus, if you are a 65 year old male your GAD Rate is 7.7% and 120% gives a maximum pension rate of 9.24%. So if after taking your tax-free cash, you have pensions worth, say £200,000, your maximum pension will be £18,480.

MAXIMUM PENSION

Age	Male		Female	
	Aug 2006	Aug 2007	Aug 2006	Aug 2007
50	£12,480	£14,400	£12,240	£13,920
55	£13,440	£15,360	£12,960	£14,640
60	£14,880	£16,560	£14,160	£15,840
65	£16,800	£18,480	£15,600	£17,280
70	£19,440	£21,120	£17,760	£19,440

Now could be the time to look at your pension plans and consider consolidating them into to a SIPP particularly as not all insured pensions offer a drawdown facility. By transferring to a SIPP you will also gain the advantage of having a flexible vehicle that allows you to choose where your money is invested and have the freedom to manage your pension investments yourself or appoint a professional investment manger to manage them for you.

So dust off those pension policies and see what your pension could be. But before transferring any funds and taking benefits, please seek advice from a your IFA or pensions specialist to ensure that this would be a suitable move for you.

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